

# **CITY OF KING COVE, ALASKA**

## **Basic Financial Statements, Required Supplementary Information and Supplementary Information**

Year Ended June 30, 2014

**CITY OF KING COVE, ALASKA**

**Basic Financial Statements, Required Supplementary Information  
and Supplementary Information**

Year Ended June 30, 2014

(This page left blank intentionally)

# CITY OF KING COVE, ALASKA

## Table of Contents

	<u>Exhibit</u>	<u>Page</u>
<b>Independent Auditor's Report</b>		1-3
<b>Basic Financial Statements</b>		
Government-wide Financial Statements:		
Statement of Net Position	A-1	6
Statement of Activities	A-2	7
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	B-1	8
Reconciliation of Governmental Funds		
Balance Sheet to Statement of Net Position	B-2	9
Statement of Revenues, Expenditures and		
Changes in Fund Balances (Deficit)	B-3	10
Reconciliation of Change in Fund Balances of		
Governmental Funds to Statement of Activities	B-4	11
Proprietary Funds:		
Statement of Net Position	C-1	12
Statement of Revenues, Expenses and		
Changes in Net Position	C-2	13
Statement of Cash Flows	C-3	14
Notes to Basic Financial Statements		15-35
<b>Required Supplementary Information</b>		
Schedules of Revenues, Expenditures and Changes in		
Fund Balance - Budget and Actual:		
General Fund	D-1	38
Permanent Fund Special Revenue Fund	D-2	39
Water and Sewer Special Revenue Fund	D-3	40
<b>Supplementary Information</b>		
Combining and Individual Fund Financial Statements and Schedules:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	E-1	42
Combining Statement of Revenues, Expenditures and		
Changes in Fund Balances (Deficits)	E-2	43
General Fund:		
Balance Sheet	F-1	44
Schedule of Revenues, Expenditures and		
Changes in Fund Balance - Budget and Actual	F-2	45-49



## CITY OF KING COVE, ALASKA

### Table of Contents, continued

	<u>Exhibit</u>	<u>Page</u>
<b>Supplementary Information, continued</b>		
Combining and Individual Fund Financial Statements and Schedules, continued:		
Special Revenue Funds:		
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual:		
Solid Waste Collection	G-1	50
Housing and Community Projects	G-2	51
Permanent Fund	G-3	52
Water and Sewer	G-4	53-54
Capital Project Funds:		
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit):		
General Capital Projects	H-1	55
Vehicle and Machinery Replacement	H-2	56
Enterprise Funds:		
Electric:		
Statement of Net Position	I-1	57
Statement of Revenues, Expenses and Changes in Net Position	I-2	58
Statement of Cash Flows	I-3	59
Combining Schedule of Revenues, Expenses and Changes in Net Position	I-4	60
Waterfall Creek Capital Project – Schedule of Funding Sources and Expenditures	I-5	61
Harbor and Port:		
Statement of Net Position	I-6	62
Statement of Revenues, Expenses and Changes in Net Position	I-7	63-64
Statement of Cash Flows	I-8	65
City Fuel Internal Service Fund:		
Statement of Net Position	J-1	66
Statement of Revenues, Expenses and Changes in Net Position	J-2	67
Statement of Cash Flows	J-3	68





Tel: 907-278-8878  
Fax: 907-278-5779  
www.bdo.com

3601 C Street, Suite 600  
Anchorage, AK 99503

## **Independent Auditor's Report**

Honorable Mayor and City Council  
City of King Cove, Alaska

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of King Cove, Alaska (the City), as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Honorable Mayor and City Council  
City of King Cove, Alaska

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of King Cove, Alaska, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles general accepted in the United States of America.

## Emphasis of Matter

### *Change in Accounting Principle*

As discussed in Note 16 to the financial statements, in 2014 the City converted its Fuel Enterprise Fund, a business-type activity, to an internal service fund which supports both governmental and business-type operations. As a result of this conversion, opening net position has been reallocated between governmental activities and business-type activities. Net position at the enterprise fund level has also been reduced. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 38-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Honorable Mayor and City Council  
City of King Cove, Alaska

*Other Supplementary Information*

Our audit for the year ended June 30, 2014 was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of King Cove's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and not a required part of the basic financial statements. The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2014 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2014.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of King Cove as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated December 5, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended June 30, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2013 financial statements. The information has been subjected to the auditing procedures applied in the audit of the June 30, 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

*BDO USA, LLP*

Anchorage, Alaska  
January 14, 2015

(This page left blank intentionally)

## **BASIC FINANCIAL STATEMENTS**

## CITY OF KING COVE, ALASKA

## Statement of Net Position

June 30, 2014

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and investments	\$ 672,458	-	672,458
Receivables:			
Accounts	144,318	154,960	299,278
Sales taxes	205,547	-	205,547
Grants	-	26,085	26,085
Allowance for doubtful accounts	-	(34,400)	(34,400)
Internal balances	385,969	(385,969)	-
Inventories	340,937	-	340,937
Investment in Southwest Governments, LLC	118,136	-	118,136
Restricted cash - bond reserves and unspent bond proceeds	-	466,589	466,589
Capital assets, not being depreciated	489,264	661,097	1,150,361
Other capital assets, net of accumulated depreciation	<u>21,298,405</u>	<u>22,545,826</u>	<u>43,844,231</u>
Total assets	<u>\$ 23,655,034</u>	<u>23,434,188</u>	<u>47,089,222</u>
<u>Liabilities</u>			
Accounts payable	120,907	69,288	190,195
Accrued payroll and related liabilities	68,044	18,864	86,908
Accrued interest payable	10,056	18,938	28,994
Unearned revenue	-	4,043	4,043
Noncurrent liabilities:			
Due within one year:			
Accrued leave	45,000	14,646	59,646
Bonds	-	160,000	160,000
Loans	43,724	-	43,724
Notes	23,172	-	23,172
Due in more than one year:			
Accrued leave	111,963	-	111,963
Bonds	-	2,175,000	2,175,000
Loans	1,275,487	-	1,275,487
Notes	3,861	-	3,861
Landfill closure	933,286	-	933,286
Unamortized bond premium	<u>-</u>	<u>137,032</u>	<u>137,032</u>
Total liabilities	<u>2,635,500</u>	<u>2,597,811</u>	<u>5,233,311</u>
<u>Net Position</u>			
Net investment in capital assets	20,441,425	21,006,663	41,448,088
Unrestricted	<u>578,109</u>	<u>(170,286)</u>	<u>407,823</u>
Total net position	<u>21,019,534</u>	<u>20,836,377</u>	<u>41,855,911</u>
Total liabilities and net position	<u>\$ 23,655,034</u>	<u>23,434,188</u>	<u>47,089,222</u>

See accompanying notes to basic financial statements.

## CITY OF KING COVE, ALASKA

Statement of Activities  
Year Ended June 30, 2014

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	
<b>Governmental activities:</b>							
General government	\$ 832,392	14,964	36,943	-	(780,485)	-	(780,485)
Public safety	616,379	6,065	26,530	-	(583,784)	-	(583,784)
Public works	1,228,785	-	25,546	-	(1,203,239)	-	(1,203,239)
Community services	407,544	92,769	11,572	-	(303,203)	-	(303,203)
Water and sewer	601,178	323,583	6,078	-	(271,517)	-	(271,517)
Solid waste	182,656	111,498	7,410	-	(63,748)	-	(63,748)
Total governmental activities	3,868,934	548,879	114,079	-	(3,205,976)	-	(3,205,976)
<b>Business-type activities:</b>							
Electric utility	1,368,419	1,238,608	16,438	159,787	-	46,414	46,414
Harbor and port	933,479	343,390	35,144	-	-	(554,945)	(554,945)
Total business type activities	2,301,898	1,581,998	51,582	159,787	-	(508,531)	(508,531)
Total	\$ 6,170,832	2,130,877	165,661	159,787	(3,205,976)	(508,531)	(3,714,507)
General revenues:							
Sales and business impact taxes					1,659,087	-	1,659,087
Grants and entitlements not restricted to a specific purpose					741,763	-	741,763
Investment income					84	-	84
Transfers					(67,652)	67,652	-
Total general revenues and transfers					2,333,282	67,652	2,400,934
Change in net position					(872,694)	(440,879)	(1,313,573)
Net position at beginning of year					21,810,229	21,359,255	43,169,484
Internal Service Fund conversion					81,999	(81,999)	-
Net position at beginning of year, restated					21,892,228	21,277,256	43,169,484
Net position at end of year					21,019,534	20,836,377	41,855,911

See accompanying notes to basic financial statements.

## CITY OF KING COVE, ALASKA

## Governmental Funds

## Balance Sheet

June 30, 2014

<u>Assets</u>	<u>Major Funds</u>				<u>Total Govern- mental Funds</u>
	<u>General</u>	<u>Permanent Fund Special Revenue</u>	<u>Water and Sewer Special Revenue</u>	<u>Nonmajor Funds</u>	
Cash and investments	\$ -	525,576	-	146,882	672,458
Receivables:					
Accounts	12,130	-	99,893	32,295	144,318
Sales taxes	205,547	-	-	-	205,547
Advances to other funds	1,458,854	411,882	-	-	1,870,736
Investment in Southwest Governments, LLC	<u>118,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,136</u>
 Total assets	 <u>\$ 1,794,667</u>	 <u>937,458</u>	 <u>99,893</u>	 <u>179,177</u>	 <u>3,011,195</u>
 <u>Liabilities and Fund Balances (Deficits)</u>					
Liabilities:					
Accounts payable	\$ 81,814	-	7,993	31,100	120,907
Accrued payroll and related liabilities	59,404	-	3,485	4,900	67,789
Advances from other funds	<u>-</u>	<u>-</u>	<u>525,735</u>	<u>88,082</u>	<u>613,817</u>
Total liabilities	<u>141,218</u>	<u>-</u>	<u>537,213</u>	<u>124,082</u>	<u>802,513</u>
Fund balances (deficits):					
Nonspendable	1,576,990	411,882	-	-	1,988,872
Committed	-	525,576	-	-	525,576
Assigned	-	-	-	166,307	166,307
Unassigned (deficit)	<u>76,459</u>	<u>-</u>	<u>(437,320)</u>	<u>(111,212)</u>	<u>(472,073)</u>
Total fund balances (deficits)	<u>1,653,449</u>	<u>937,458</u>	<u>(437,320)</u>	<u>55,095</u>	<u>2,208,682</u>
 Total liabilities and fund balances	 <u>\$ 1,794,667</u>	 <u>937,458</u>	 <u>99,893</u>	 <u>179,177</u>	 <u>3,011,195</u>

See accompanying notes to basic financial statements.

**CITY OF KING COVE, ALASKA**  
Reconciliation of Governmental Funds Balance Sheet  
to Statement of Net Position  
June 30, 2014

Total fund balances for governmental funds 2,208,682

Total net position reported for governmental activities in the  
Statement of Net Position is different because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported  
in the funds. These assets, net of accumulated  
depreciation consist of:

	<u>Governmental</u>	<u>Internal Service</u>	
Land and land improvements	\$ 414,390	\$ -	
Construction in progress	74,874	-	
Buildings	4,171,730	-	
Improvements other than buildings	21,712,923	871,489	
Equipment	1,651,268	-	
Accumulated depreciation	<u>(6,847,561)</u>	<u>(261,444)</u>	
Total capital assets, net of depreciation	<u>21,177,624</u>	<u>610,045</u>	21,787,669

An internal service fund is used by the City  
to charge the costs of heating and vehicle fuel  
to individual funds. The net position of the  
internal service fund attributable to governmental  
activities is included in the governmental column  
on the Statement of Net Position.

Net position related to governmental activities	\$ 79,777	
Less amount reported with capital assets	<u>(610,045)</u>	(530,268)

Long-term liabilities, including loans payable and  
accrued leave, are not due and payable in the  
current period and therefore are not reported  
as fund liabilities. These liabilities consist of:

Loans payable	(1,319,211)	
Note payable	(27,033)	
Landfill closure costs payable	(933,286)	
Accrued interest payable	(10,056)	
Accrued leave	<u>(156,963)</u>	
Total long term liabilities		<u>(2,446,549)</u>

Total net position of governmental activities \$ 21,019,534

See accompanying notes to basic financial statements.



## CITY OF KING COVE, ALASKA

## Governmental Funds

## Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)

Year Ended June 30, 2014

	Major Funds				Total Govern- mental Funds
	<u>General</u>	<u>Permanent Fund Special Revenue</u>	<u>Water and Sewer Special Revenue</u>	<u>Nonmajor Funds</u>	
Revenues:					
Sales and business impact taxes	\$ 1,659,087	-	-	-	1,659,087
Intergovernmental	838,189	-	6,078	11,575	855,842
Charges for services	73,526	-	323,583	136,806	533,915
Investment income	-	84	-	-	84
Other	14,964	-	-	-	14,964
Total revenues	<u>2,585,766</u>	<u>84</u>	<u>329,661</u>	<u>148,381</u>	<u>3,063,892</u>
Expenditures:					
Current:					
General government	662,945	-	-	-	662,945
Public safety	572,748	-	-	-	572,748
Public works	511,115	-	-	368,325	879,440
Community services	259,829	-	-	91,418	351,247
Water and sewer	-	-	325,084	6,597	331,681
Solid waste collection	-	-	-	180,225	180,225
Other	197,342	-	-	-	197,342
Debt service:					
Principal	-	-	33,537	19,309	52,846
Interest and other	-	-	59,213	-	59,213
Total expenditures	<u>2,203,979</u>	<u>-</u>	<u>417,834</u>	<u>665,874</u>	<u>3,287,687</u>
Excess of revenues over (under) expenditures	381,787	84	(88,173)	(517,493)	(223,795)
Other financing sources (uses):					
Transfers in	-	30,000	20,000	299,818	349,818
Transfers out	<u>(331,300)</u>	<u>(54,818)</u>	<u>-</u>	<u>-</u>	<u>(386,118)</u>
Net other financing sources (uses)	<u>(331,300)</u>	<u>(24,818)</u>	<u>20,000</u>	<u>299,818</u>	<u>(36,300)</u>
Net change in fund balances	50,487	(24,734)	(68,173)	(217,675)	(260,095)
Beginning fund balances (deficit)	<u>1,602,962</u>	<u>962,192</u>	<u>(369,147)</u>	<u>272,770</u>	<u>2,468,777</u>
Ending fund balances (deficit)	<u>\$ 1,653,449</u>	<u>937,458</u>	<u>(437,320)</u>	<u>55,095</u>	<u>2,208,682</u>

See accompanying notes to basic financial statements.

**CITY OF KING COVE, ALASKA**  
 Reconciliation of Change in Fund Balances of Governmental Funds  
 to Statement of Activities  
 Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ (260,095)

The change in net position reported for governmental activities  
 in the Statement of Activities is different because:

An internal service fund is used by management to charge the cost of heating and vehicle fuel to individual funds. A portion of the net revenue (loss) of these activities is reported with governmental activities. (2,222)

Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which depreciation (\$788,078) exceeds transfers to business type activities (\$31,352) and capital outlay (\$172,001). (647,429)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount of principal paid on long-term debt. 52,846

The governmental fund statements do not reflect the increase in long-term liabilities that are not to be paid with current financial resources. This is the amount of increase in the landfill closure liability. (35,896)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the decrease in:

Accrued interest payable	\$	6,030	
Accrued leave		<u>14,072</u>	
			<u>20,102</u>

Change in net position of governmental activities \$ (872,694)

See accompanying notes to basic financial statements.

## CITY OF KING COVE, ALASKA

 Proprietary Funds  
 Statement of Net Position  
 June 30, 2014

	Major Enterprise Funds		Total Enterprise Funds	Internal Service Fund
<u>Assets</u>	<u>Electric</u>	<u>Harbor and Port</u>	<u>Funds</u>	<u>City Fuel</u>
Current assets:				
Receivables:				
Accounts	\$ 48,632.00	106,328	154,960	-
Grants	26,085	-	26,085	-
Allowance for doubtful accounts	(14,000)	(20,400)	(34,400)	-
Inventories	-	-	-	340,937
Total current assets	<u>60,717</u>	<u>85,928</u>	<u>146,645</u>	<u>340,937</u>
Restricted cash - bond reserves and unspent bond proceeds	<u>358,105</u>	<u>108,484</u>	<u>466,589</u>	<u>-</u>
Property, plant and equipment:				
Construction in progress	577,272	35,453	612,725	-
Land	48,372	-	48,372	-
Infrastructure and improvements	4,678,427	21,720,359	26,398,786	871,489
Buildings	2,203,494	355,860	2,559,354	-
Equipment	4,907,717	907,482	5,815,199	-
Total property, plant and equipment	12,415,282	23,019,154	35,434,436	871,489
Less accumulated depreciation	<u>(5,565,893)</u>	<u>(6,661,620)</u>	<u>(12,227,513)</u>	<u>(261,444)</u>
Net property, plant and equipment	<u>6,849,389</u>	<u>16,357,534</u>	<u>23,206,923</u>	<u>610,045</u>
Total assets	<u>\$ 7,268,211.00</u>	<u>16,551,946</u>	<u>23,820,157</u>	<u>950,982</u>
<u>Liabilities and Net Position</u>				
Liabilities:				
Current liabilities:				
Accounts payable	\$ 60,704.00	8,584	69,288	-
Accrued payroll and related liabilities	9,819	9,045	18,864	255
Accrued interest payable	1,752	17,186	18,938	-
Unearned revenue	4,043	-	4,043	-
Accrued leave	5,348	9,298	14,646	-
Current portion of revenue bonds	<u>110,000</u>	<u>50,000</u>	<u>160,000</u>	<u>-</u>
Total current liabilities	<u>191,666</u>	<u>94,113</u>	<u>285,779</u>	<u>255</u>
Long-term debt, net of current portion:				
Advances from other funds	425,985	410,261	836,246	420,673
Revenue bonds	1,125,000	1,050,000	2,175,000	-
Unamortized bond premium	<u>117,739</u>	<u>19,293</u>	<u>137,032</u>	<u>-</u>
Total liabilities	<u>1,860,390</u>	<u>1,573,667</u>	<u>3,434,057</u>	<u>420,928</u>
Net position:				
Net investment in capital assets	5,768,422	15,238,241	21,006,663	610,045
Unrestricted (deficit)	<u>(360,601)</u>	<u>(259,962)</u>	<u>(620,563)</u>	<u>(79,991)</u>
Total net position	<u>5,407,821</u>	<u>14,978,279</u>	<u>20,386,100</u>	<u>530,054</u>
Total liabilities and net position	<u>\$ 7,268,211.00</u>	<u>16,551,946</u>		<u>950,982</u>
Adjustment to reflect the consolidation of internal service fund activities			<u>450,277</u>	
Net position of Business-Type Activities			<u>\$ 20,836,377</u>	

See accompanying notes to basic financial statements.

## CITY OF KING COVE, ALASKA

## Proprietary Funds

## Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2014

	Major Enterprise Funds		Total	Internal Service Fund
	Electric	Harbor and Port	Enterprise Funds	City Fuel
Operating revenues - charges for services	\$ 1,238,608	343,390	1,581,998	751,827
Operating expenses:				
Salaries and benefits	239,490	283,096	522,586	28,005
Other purchased services and supplies	715,198	113,714	828,912	699,208
Depreciation	309,519	483,371	792,890	43,574
Total operating expenses	<u>1,264,207</u>	<u>880,181</u>	<u>2,144,388</u>	<u>770,787</u>
Loss from operations	(25,599)	(536,791)	(562,390)	(18,960)
Nonoperating revenues (expenses):				
Interest expense	(49,202)	(52,944)	(102,146)	-
Senior power subsidy	(40,981)	-	(40,981)	-
Interest rate subsidy	-	14,185	14,185	-
State PERS relief	<u>16,438</u>	<u>20,959</u>	<u>37,397</u>	<u>2,355</u>
Net nonoperating revenues (expenses)	<u>(73,745)</u>	<u>(17,800)</u>	<u>(91,545)</u>	<u>2,355</u>
Loss before contributions and transfers	<u>(99,344)</u>	<u>(554,591)</u>	<u>(653,935)</u>	<u>(16,605)</u>
Capital contributions	191,139	-	191,139	-
Transfers in	-	86,300	86,300	-
Transfers out	<u>(30,000)</u>	<u>(20,000)</u>	<u>(50,000)</u>	<u>-</u>
Change in net position	61,795	(488,291)	(426,496)	(16,605)
Beginning net position	<u>5,346,026</u>	<u>15,466,570</u>		<u>546,659</u>
Ending net position	<u>\$ 5,407,821</u>	<u>14,978,279</u>		<u>530,054</u>
Adjustment to reflect the consolidation of internal service fund activities			(14,383)	
Change in net position of Business-Type Activities			<u>\$ (440,879)</u>	

See accompanying notes to basic financial statements.

## CITY OF KING COVE, ALASKA

 Proprietary Funds  
 Statement of Cash Flows  
 Year Ended June 30, 2014

	Major Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Electric	Harbor and Port		City Fuel
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,291,841	360,368	1,652,209	751,827
Payments to suppliers	(665,928)	(108,672)	(774,600)	(923,864)
Payments to employees	(223,638)	(261,574)	(485,212)	(26,505)
Net cash flows from operating activities	<u>402,275</u>	<u>(9,878)</u>	<u>392,397</u>	<u>(198,542)</u>
Cash flows from noncapital financing activities:				
Senior power subsidy	(40,981)	-	(40,981)	-
Increase (decrease) in advance from other funds	(28,100)	54,236	26,136	198,542
Interest rate subsidy	-	14,185	14,185	-
Transfers to other funds	(30,000)	(20,000)	(50,000)	-
Net cash flows from noncapital financing activities	<u>(99,081)</u>	<u>48,421</u>	<u>(50,660)</u>	<u>198,542</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(577,272)	(20,280)	(597,552)	-
Capital contributions received	165,054	-	165,054	-
Proceeds from issuance of debt	1,352,739	-	1,352,739	-
Principal payments on long-term debt	(834,889)	(50,000)	(884,889)	-
Interest payments on long-term debt	(50,721)	(54,554)	(105,275)	-
Transfers from other funds	-	86,300	86,300	-
Net cash flows from capital and related financing activities	<u>54,911</u>	<u>(38,534)</u>	<u>16,377</u>	<u>-</u>
Net increase in cash and investments	358,105	9	358,114	-
Beginning cash and investments	<u>-</u>	<u>108,475</u>	<u>108,475</u>	<u>-</u>
Ending cash and investments	<u>\$ 358,105</u>	<u>108,484</u>	<u>466,589</u>	<u>-</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:				
Loss from operations	\$ (25,599)	(536,791)	(562,390)	(18,960)
Adjustments to reconcile loss from operations to net cash flows from operating activities:				
Depreciation	309,519	483,371	792,890	43,574
Noncash expense - PERS relief	16,438	20,959	37,397	2,355
(Increase) decrease in assets:				
Accounts receivable (net)	52,760	16,978	69,738	-
Inventories	-	-	-	(224,549)
Increase (decrease) in liabilities:				
Accounts payable	49,270	5,042	54,312	(107)
Accrued payroll and related liabilities	732	(797)	(65)	(855)
Unearned revenue	473	-	473	-
Accrued leave	(1,318)	1,360	42	-
Net cash flows from operating activities	<u>\$ 402,275</u>	<u>(9,878)</u>	<u>392,397</u>	<u>(198,542)</u>

See accompanying notes to basic financial statements.

# CITY OF KING COVE, ALASKA

## Notes to Basic Financial Statements

Year Ended June 30, 2014

### (1) Summary of Significant Accounting Policies

#### Reporting Entity

The City of King Cove was incorporated in 1949 under the laws of the State of Alaska as a first-class city. The City operates under a council-administrator form of government and provides a full range of services to its citizens including public safety, streets, health and social services, electric, water and sewer, boat harbor, community projects, and general administration.

The financial statements included in this report are for the City of King Cove only. There are no component units for which the City of King Cove is financially accountable, nor do any special financial relationships exist between the City and any other entity.

The accounting policies of the City of King Cove conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## CITY OF KING COVE, ALASKA

### Notes to Basic Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only to the extent they have matured.

Sales and business impact taxes, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when received by the government.

The City reports the following major funds:

##### Major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

The *Permanent Fund Special Revenue Fund* accounts for monies set aside to help provide future benefits for public safety and welfare, specifically emergency needs or essential public service needs of the citizens of King Cove.

The *Water and Sewer Special Revenue Fund* accounts for the operation of the water and sewer system.

##### Major proprietary funds:

The *Electric Enterprise Fund* is used to account for the operations of the electric utility.

The *Harbor and Port Enterprise Fund* is used to account for the operations of the harbor and port.

All of the funds listed as major meet accounting standards required quantitative criteria, except the Permanent Fund Special Revenue Fund which has been reported as major due to public interest.

In addition, effective July 1, 2013, the City now also reports a single Internal Service Fund which accounts for its internal fuel distribution activities.

## CITY OF KING COVE, ALASKA

### Notes to Basic Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the enterprise funds and the various other funds and departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and State entitlement revenues.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### Central Treasury

A central treasury is used to account for cash from all funds of the City to maximize interest income.

##### Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary funds consider all cash accounts to be cash and cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

##### Inventories

Inventories are valued at cost (first-in, first-out). The cost is recorded as an expenditure or expense at the time individual inventory items are consumed.

##### Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."



## **CITY OF KING COVE, ALASKA**

### **Notes to Basic Financial Statements, continued**

#### **Summary of Significant Accounting Policies, continued**

##### **Grants and Other Intergovernmental Revenues**

In applying the measurable and available concepts to grants and intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts are considered “earned”; therefore, revenues are recognized based upon expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

##### **Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

##### **Compensated Absences**

The City allows employees to accumulate earned but unused vacation and sick leave benefits. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured (e.g. the employee has terminated employment).

##### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. As a phase 3 government for GASB Statement 34 purposes, the City records additions to infrastructure capital assets (e.g. roads and streets) prospectively from the GASB Statement 34 implementation date, which was June 30, 2004. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

## CITY OF KING COVE, ALASKA

### Notes to Basic Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### Capital Assets, continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

Buildings	20-50 years
Improvements other than buildings	20-50 years
Service lines	20 years
Machinery and equipment	3-20 years

##### Long-Term Debt

In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

##### Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council—the City’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

## CITY OF KING COVE, ALASKA

### Notes to Basic Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### Fund Balances, continued

*Assigned fund balance.* This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance.* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

##### Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Any encumbrances outstanding at year end are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined above.

##### Unearned Grant Revenue

Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended use are shown as unearned revenue.

##### Deferred Inflows/Outflows of Resources

The City follows the provisions of GASB statement number 63, where applicable. Deferred outflows of resources represent the consumption of the government's net position or fund balance that is applicable to a future reporting period. Deferred inflow of resources represents the acquisition of net position or fund balance that is applicable to a future reporting period. Revenues that have been earned but are not yet available in the governmental funds are now reported as deferred inflows.

##### Pension Plan

Substantially all employees of the City participate in the Public Employees' Retirement System (PERS) administered by the State of Alaska.

##### Comparative Data

Comparative data for the prior year have been presented in some of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations.

## CITY OF KING COVE, ALASKA

### Notes to Basic Financial Statements, continued

#### (2) **Stewardship, Compliance and Accountability**

##### **Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to May 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The City Administrator is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of any fund or department within a fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Appropriations for these funds lapse at year end to the extent they have not been expended or encumbered.
6. Budgets for governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

##### **Deficits**

The following funds had deficit positions in fund balance at of June 30, 2014:

##### Special Revenue Funds:

Water and Sewer	\$ (437,320)
Housing and Community Projects	(84,519)
General Capital Projects Capital Project Fund	(26,693)

In addition the following proprietary funds had deficit equity in the unrestricted category:

Electric Enterprise Fund	\$ (360,601)
Harbor and Port Enterprise Fund	(259,962)
City Fuel Internal Service Fund	(79,991)

#### (3) **Cash and Investments**

Except for the Permanent Fund, all cash is maintained in a central treasury and is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as "cash and investments" or in the case of "negative cash," is included in "due to other funds" or "advances to other funds." All of the City's cash is held in the form of demand accounts including checking, savings, short-term certificates of deposit, and overnight repurchase agreements held by commercial banks. "Pooled investments" are primarily comprised of money-market cash equivalents.

## CITY OF KING COVE, ALASKA

### Notes to Basic Financial Statements, continued

#### **Cash and Investments, continued**

##### Reconciliation of Deposit and Investment Balances

A reconciliation of cash and investments as shown on the statement of net position follows:

Cash	\$ 689,925	Cash and investments	\$ 672,458
Pooled investments	<u>449,122</u>	Restricted cash	<u>466,589</u>
	\$ <u>1,139,047</u>		\$ <u>1,139,047</u>

##### *Investment policy*

The investment policy authorizes the City to invest in certificates of deposit, U.S. Treasury securities, government bonds and notes, money markets, mutual funds, and an investment pool authorized by Alaska Statutes. Investments are carried at fair value.

##### *Interest rate risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

##### *Credit risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool which is rated AAAM for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the Pool. The law sets forth numerous requirements regarding authorized investments and reporting. The share value of investments in the AMLIP is approximately equal to fair value.

##### *Custodial credit risk*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. To limit credit risk, City policy requires that all deposits be insured or covered by collateralization agreements.

#### (4) **Investment in Southwest Governments, LLC**

The City purchased a 10 percent ownership in Southwest Governments, LLC, an investment company formed to buy an office building in Anchorage, Alaska. The office building was purchased in May 2002 and is currently rented to outside parties, including the group that owns Southwest Governments, LLC. The City's investment in Southwest Governments, LLC, is recorded on the cost method.

#### (5) **Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

# CITY OF KING COVE, ALASKA

## Notes to Basic Financial Statements, continued

### **Capital Assets, continued**

	Balance July 1, 2013 <u>as restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2014
<b><u>Governmental activities</u></b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 414,390	-	-	414,390
Construction in progress	<u>109,349</u>	<u>31,877</u>	<u>66,352</u>	<u>74,874</u>
Total assets not being depreciated	<u>523,739</u>	<u>31,877</u>	<u>66,352</u>	<u>489,264</u>
<i>Capital assets being depreciated:</i>				
Buildings	4,171,730	-	-	4,171,730
Improvements other than buildings	22,569,412	35,000	20,000	22,584,412*
Equipment	<u>1,511,144</u>	<u>140,124</u>	<u>-</u>	<u>1,651,268</u>
Total assets being depreciated	<u>28,252,286</u>	<u>175,124</u>	<u>20,000</u>	<u>28,407,410</u>
Less accumulated depreciation for:				
Buildings	1,666,874	119,593	-	1,786,467
Improvements other than buildings	3,558,076	632,020	20,000	4,170,096*
Equipment	<u>1,072,403</u>	<u>80,039</u>	<u>-</u>	<u>1,152,442</u>
Total accumulated depreciation	<u>6,297,353</u>	<u>831,652</u>	<u>20,000</u>	<u>7,109,005</u>
Total capital assets being depreciated, net	<u>21,954,933</u>	<u>(656,528)</u>	<u>-</u>	<u>21,298,405</u>
Governmental activity capital assets, net	\$ <u>22,478,672</u>	<u>(624,651)</u>	<u>(66,352)</u>	<u>21,787,669</u>

July 1, 2013 restated to include \$871,489 and \$217,870, respectively, in equipment and accumulated depreciation from the City Fuel Internal Service Fund.

June 30, 2014 includes capital assets and accumulated depreciation from the City Fuel Internal Service Fund in the amounts of \$871,489 and \$261,444, respectively.

### **Business-type activities**

<i>Capital assets not being depreciated:</i>				
Land	\$ 48,372	-	-	48,372
Construction in progress	<u>15,173</u>	<u>597,552</u>	<u>-</u>	<u>612,725</u>
Total assets not being depreciated	<u>63,545</u>	<u>597,552</u>	<u>-</u>	<u>661,097</u>
<i>Capital assets being depreciated:</i>				
Buildings	2,559,354	-	-	2,559,354
Improvements other than buildings	26,398,786	-	-	26,398,786
Equipment	<u>5,815,199</u>	<u>-</u>	<u>-</u>	<u>5,815,199</u>
Total assets being depreciated	<u>34,773,339</u>	<u>-</u>	<u>-</u>	<u>34,773,339</u>

# CITY OF KING COVE, ALASKA

## Notes to Basic Financial Statements, continued

### **Capital Assets, continued**

	Balance July 1, <u>2013</u>	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance June 30, <u>2014</u>
<b><u>Business-type activities, continued</u></b>				
Less accumulated depreciation for:				
Buildings	\$ 1,104,658	67,906	-	1,172,564
Improvements other than buildings	7,758,132	550,296	-	8,308,428
Equipment	<u>2,571,833</u>	<u>174,688</u>	<u>-</u>	<u>2,746,521</u>
Total accumulated depreciation	<u>11,434,623</u>	<u>792,890</u>	<u>-</u>	<u>12,227,513</u>
 Total capital assets being depreciated, net	 <u>23,338,716</u>	 <u>(792,890)</u>	 <u>-</u>	 <u>22,545,826</u>
 Business-type activity capital assets, net	 <u>\$ 23,402,261</u>	 <u>(195,338)</u>	 <u>-</u>	 <u>23,206,923</u>

Depreciation expense was charged to the functions as follows:

### **Governmental activities**

General government	\$ 5,458
Public safety	38,451
Public works	433,138
Water and sewer	216,037
Solid waste	10,355
Community services	84,639
City Fuel Internal Service Fund	<u>43,574</u>
Total depreciation expense - governmental activities	<u>\$ 831,652</u>

### **Business-type activities**

Electric	\$ 309,519
Boat harbor and port	<u>483,371</u>
Total depreciation expense – business-type activities	<u>\$ 792,890</u>

### (6) **Interfund Receivables, Payables and Transfers**

A schedule of interfund balances, advances and transfers for the year ended June 30, 2014, follows:

#### ***Advances to other funds -***

These are longer term and repayment terms have not been established.

Advance from General Fund to:

Electric Enterprise Fund	\$ 154,213
Harbor and Port Enterprise Fund	410,261
City Fuel Internal Service Fund	420,673

# CITY OF KING COVE, ALASKA

## Notes to Basic Financial Statements, continued

### **Interfund Receivables, Payables and Transfers, continued**

#### ***Advances to other funds, continued***

Housing and Community Projects Special Revenue Fund	\$ 84,236
Water and Sewer Special Revenue Fund	385,625
General Capital Projects Capital Project Fund	<u>3,846</u>
	1,458,854
Advance from Permanent Fund Special Revenue Fund to	
Electric Enterprise Fund	271,772
Water and Sewer Special Revenue Fund	<u>140,110</u>
	<u>411,882</u>
Total advances to other funds	\$ <u>1,870,736</u>

#### ***Transfers***

From General Fund to:	<u>Fund Level</u>	<u>Government-wide</u>
Water and Sewer Special Revenue Fund for operating costs	\$ 20,000	-
Housing and Community Projects Special Revenue Fund for community projects	50,000	-
General Capital Projects Fund for capital projects	100,000	
Vehicle and Machinery Replacement Capital Project Fund for equipment	75,000	-
Harbor and Port Enterprise Fund for capital projects	<u>86,300</u>	86,300
Total transfers from General Fund	331,300	
General capital asset transferred to Electric Enterprise Fund	-	31,352
Permanent Fund Special Revenue Fund to Housing and Community Projects Special Revenue Fund for community projects	54,818	
Harbor and Port Enterprise Fund to Solid Waste Collection Special Revenue Fund for equipment and operations	20,000	(20,000)
Electric Enterprise Fund to Permanent Fund Special Revenue Fund for equipment	<u>30,000</u>	<u>(30,000)</u>
Total transfers to other funds	\$ <u>436,118</u>	<u>67,652</u>

#### (7) **Long - Term Debt**

In June 2014, the City issued revenue bonds to early retire \$834,889 in outstanding 1995 electric revenue bonds and to fund the Waterfall Creek hydroelectric project. The face value of the bonds was \$1,235,000 with a premium \$117,739. Interest varies from 3.0% to 5.0% until they are repaid in 2039.



# CITY OF KING COVE, ALASKA

## Notes to Basic Financial Statements, continued

### **Long - Term Debt, continued**

The following is a summary of long-term debt transactions for the year ended June 30, 2014:

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Retired</u>	Balance June 30, <u>2014</u>	Due Within One <u>Year</u>
<b><u>Governmental Activities</u></b>					
\$1,375,000 USDA water project loan, due in semi- annual installments of \$37,300 including interest through March 2040; interest at 4.5%	\$ 1,142,748	-	18,537	1,124,211	28,724
\$300,000 Delta Creek water project loan, due in annual installments of \$15,000 plus interest through January 2027; interest at 1.5%	210,000	-	15,000	195,000	15,000
Catepillar Financial Services note payable, due in monthly installments of \$1,931 through August 2015	46,342	-	19,309	27,033	23,172
Landfill closure costs	897,390	35,896	-	933,286	-
Accrued leave	<u>171,035</u>	<u>83,604</u>	<u>97,676</u>	<u>156,963</u>	<u>45,000</u>
Total governmental activities	\$ <u>2,467,515</u>	<u>119,500</u>	<u>150,522</u>	<u>2,436,493</u>	<u>111,896</u>
<b><u>Business-type Activities</u></b>					
\$1,961,500 1995 electric utility revenue bonds, due in semi- annual installments of \$72,656, including interest through May 2020; interest at 5.5%	\$ 834,889	-	834,889	-	-
\$1,235,000 Electric revenue bond, due in annual installments of \$110,000 to \$175,000 through 2039; interest at 3.00% to 5.00%	-	1,235,000	-	1,235,000	110,000

# CITY OF KING COVE, ALASKA

## Notes to Basic Financial Statements, continued

### **Long - Term Debt, continued**

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Retired</u>	Balance June 30, <u>2014</u>	Due Within One Year
<b><u>Business-type Activities, continued</u></b>					
\$745,000 Harbor revenue bond, due in annual installments of \$30,000 to \$50,000 through 2030; interest at 2.00% to 5.43%	\$ 690,000	-	30,000	660,000	30,000
\$500,000 Harbor revenue bond, due in annual installments of \$20,000 to \$35,000 through 2029; interest at 2.00% to 6.04%	460,000	-	20,000	440,000	20,000
Unamortized bond premium	20,428	117,739	1,135	137,032	-
Accrued leave	<u>14,604</u>	<u>21,843</u>	<u>21,801</u>	<u>14,646</u>	<u>14,646</u>
Total business-type activities	\$ <u>2,019,921</u>	<u>1,374,582</u>	<u>907,825</u>	<u>2,486,678</u>	<u>174,646</u>

The annual requirements to pay all general long-term debt outstanding (exclusive of accrued leave and landfill closure costs) as of June 30, 2014 are as follows:

### **Governmental activities**

Year Ended <u>June 30,</u>	<u>Water Loans</u>			<u>Forklift Note</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>
2015	\$ 43,724	48,801	92,525	23,172
2016	40,991	51,309	92,300	3,861
2017	42,175	49,900	92,075	-
2018	43,412	48,438	91,850	-
2019	44,705	46,920	91,625	-
2020-2024	245,072	209,678	454,750	-
2025-2029	257,455	161,895	419,350	-
2030-2034	265,396	107,604	373,000	-
2035-2039	<u>336,281</u>	<u>36,719</u>	<u>373,000</u>	-
	\$ <u>1,319,211</u>	<u>761,264</u>	<u>2,080,475</u>	<u>27,033</u>

# CITY OF KING COVE, ALASKA

## Notes to Basic Financial Statements, continued

### **Long - Term Debt, continued**

#### **Business-type activities**

Year Ended June 30,	Electric Revenue Bonds				Harbor Revenue Bonds			
	Principal	Interest	Federal* Subsidy	Total	Principal	Interest	Federal* Subsidy	Total
2015	\$ 110,000	50,873	(7,332)	153,541	50,000	53,354	(18,254)	85,100
2016	115,000	50,250	(7,717)	157,533	50,000	51,704	(18,255)	83,449
2017	115,000	45,650	(7,718)	152,932	55,000	49,904	(18,254)	86,650
2018	120,000	41,050	(7,717)	153,333	60,000	47,666	(17,926)	89,740
2019	125,000	35,050	(7,718)	152,332	60,000	45,241	(17,567)	87,674
2020-2024	215,000	111,000	(36,487)	289,513	320,000	184,594	(74,938)	429,656
2025-2029	115,000	79,750	(27,913)	166,837	375,000	95,430	(38,941)	431,489
2030-2034	145,000	52,800	(18,480)	179,320	130,000	7,410	(3,123)	134,287
2035-2039	<u>175,000</u>	<u>21,800</u>	<u>(7,630)</u>	<u>189,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,235,000</u>	<u>488,223</u>	<u>(128,712)</u>	<u>1,594,511</u>	<u>1,100,000</u>	<u>535,303</u>	<u>(207,258)</u>	<u>1,428,045</u>

\* The harbor revenue bonds and electric revenue bonds were issued pursuant to Economic Recovery Zone legislation as part of the American Recovery and Reinvestment Act. Terms of the legislation allow for the Internal Revenue Service to rebate a portion of interest paid. The rebate is subject to annual appropriation by Congress. The rebate is recorded as revenue only upon receipt in these financial statements.

#### (8) **Municipal Landfill Closure and Post-closure Liability**

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, generally accepted accounting principles require that the City report a portion of these closure and post-closure care costs each period based on landfill capacity used as of each balance sheet date.

The \$933,286 (an increase of \$35,896 from June 30, 2013) reported as landfill closure costs payable at June 30, 2014, represents the cumulative amount reported to date based on a study conducted several years ago. The final closure costs may vary significantly from the above estimate.

At June 30, 2014, the City has not reserved or designated any fund balance to fund the cost of closure and post closure monitoring, nor have any assets been restricted for this purpose.

# CITY OF KING COVE, ALASKA

## Notes to Basic Financial Statements, continued

### (9) Fund Balances

Fund balances reported in the City's individual major funds and nonmajor funds in the aggregate on the governmental funds balance sheet is subject to the following constraints:

	<u>General</u>	<u>Permanent Fund Special Revenue</u>	<u>Water and Sewer Special Revenue</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Nonspendable:					
Long-term advances	\$ 1,458,854	411,882	-	-	1,870,736
Investment in Southwest Governments, LLC	<u>118,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,136</u>
Total nonspendable	<u>1,576,990</u>	<u>411,882</u>	<u>-</u>	<u>-</u>	<u>1,988,872</u>
Committed – Permanent Fund	<u>-</u>	<u>525,576</u>	<u>-</u>	<u>-</u>	<u>525,576</u>
Assigned:					
Solid waste	-	-	-	32,456	32,456
Vehicle and machinery replacement	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,851</u>	<u>133,851</u>
Total assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,307</u>	<u>166,307</u>
Unassigned (deficit)	<u>76,459</u>	<u>-</u>	<u>(437,320)</u>	<u>(111,212)</u>	<u>(472,073)</u>
Total fund balances	\$ <u>1,653,449</u>	<u>937,458</u>	<u>(437,320)</u>	<u>55,095</u>	<u>2,208,682</u>

### (10) Defined Benefit Pension Plan

The City participates in the Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

Department of Administration  
Division of Retirement and Benefits  
P.O. Box 110203  
Juneau, Alaska 99811-0203

## CITY OF KING COVE, ALASKA

### Notes to Basic Financial Statements, continued

#### **Defined Benefit Pension Plan, continued**

##### Conversion to Cost Sharing

In April 2008, the Alaska Legislature passed legislation which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers.

That same year, the State of Alaska passed additional legislation which statutorily capped the employer contribution, established a state funded “on-behalf” contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

##### Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (2.97% for pension and 3.78% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.29% for pension and 4.21% for healthcare).

##### Employer and Other Contribution Rates

There are three contribution rates associated with the pension and healthcare contributions and related liabilities:

*Contractual Rate:* This is the required funding rate for participating employers. The contractual rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate includes all PERS participating wages, including those wages attributable to employees in the defined contribution plan.

*ARM Board Adopted Rate:* This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined to calculate annual funding requirements of the Plan, without regard to the statutory rate cap. There are no constraints or restrictions on the actuarial cost method or other assumptions used in this valuation, other than those established and agreed to by the ARM Board.

Current legislation provides that the State of Alaska will contribute the difference between the ARM Board adopted rate and the contractual (statutory) rate. These additional contributions are recognized by each employer as an on-behalf payment and are reflected as revenue and expense/expenditures within the financial statements.

## CITY OF KING COVE, ALASKA

### Notes to Basic Financial Statements, continued

#### **Defined Benefit Pension Plan, continued**

*GASB 43 Rate:* This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. For FY14, the rate uses an 8.00% pension discount rate and a 5.41% healthcare discount rate. Additionally, the GASB 43 rate disregards all future Medicare Part D payments.

The GASB 43 rate differs significantly from the ARM Board adopted rate as a direct result of differences in the actuarial valuation methodology and assumptions.

Contribution rates for the year ended June 30, 2014 were determined as part of the June 30, 2011 actuarial valuation and are as follows:

	Contractual <u>Rate</u>	ARM Board Adopted <u>Rate</u>	GASB 43 <u>Rate</u>
Pension	10.64%	18.38%	27.94%
Postemployment healthcare	<u>11.36%</u>	<u>17.30%</u>	<u>52.55%</u>
Total contribution rate	<u>22.00%</u>	<u>35.68%</u>	<u>80.49%</u>

#### **Annual Pension and Postemployment Healthcare Cost**

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 13.68% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, this contribution is considered an on-behalf payment and is recorded as revenue and expense/expenditures in these financial statements. However, because the City is not statutorily obligated for these payments, the State's contributions, in the amounts of \$153,831, \$154,341, and \$126,530 for 2014, 2013, and 2012, respectively, have been excluded from pension and OPEB cost as shown below.

Year Ended <u>June 30</u>	Required Pension <u>Contribution</u>	Required OPEB <u>Contribution</u>	Total Required Contri- <u>bution</u>	City Contri- <u>butions</u>	Percent <u>Contributed</u>
2014	\$ 91,949	\$ 98,186	\$ 190,135	\$ 190,135	100%
2013	86,187	105,339	191,526	191,526	100%
2012	85,934	104,646	190,580	190,580	100%

## CITY OF KING COVE, ALASKA

### Notes to Basic Financial Statements, continued

#### (11) Defined Contribution Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. The Plan is administered by the State of Alaska, Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan.

##### Employee Contribution Rates

Employees are required to contribute 8.0% of their annual covered salary. This amount goes directly to the individual's account.

##### Employer Contribution Rates

For the year ended June 30, 2014, the City was required to contribute the following amounts based on covered salary:

	<u>Others</u> <u>Tier IV</u>	<u>Police/Fire</u> <u>Tier IV</u>
Individual account	5.00%	5.00%
Retiree medical plan	0.48	0.48
Occupational death and disability benefits	<u>0.20</u>	<u>1.14</u>
	<u>5.68</u> %	<u>6.62</u> %

In addition, the employer must contribute to the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of *all employees of all employers* in the plan". As of July 1, 2013, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$1,897 per year for each full-time employee, and \$1.22 per hour for part-time employees.

Finally, the total employer contribution must equal 22% of covered payroll. After subtracting the defined contribution (DC) rates and the HRA contribution, any residual amount of the 22% will be deposited into the defined benefit (DB) plan. Locally known as the defined benefit unfunded liability (DBUL) payment, this amount is intended to mitigate against the declining payroll base that resulted from the creation of the DC plan.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended June 30, 2014 were \$54,842 and \$40,655, respectively.

## **CITY OF KING COVE, ALASKA**

### **Notes to Basic Financial Statements, continued**

(12) **Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The provisions of the Plan require that all assets and income of the Plan be held in trust for the exclusive benefit of participants and their beneficiaries.

(13) **Permanent Fund**

City Code 5.05.225 established a capital reserve account (Permanent Fund). It is the City's intent in establishing this fund that it be used to purchase new equipment, replace existing equipment, or make major repairs to existing equipment or facilities so the City has adequate capital facilities and equipment to provide the public services it delivers. In addition, the fund can be used for the public safety and welfare of residents of the City if emergency needs exist.

(14) **Risk Management**

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs. The City participates in the Alaska Municipal League Joint Insurance Association (AML/JIA) which provides insurance coverage for property and contents damage, torts, general and automobile liability, and worker's compensation. The AML/JIA is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based on each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. The Association made no supplemental assessments during the year ended June 30, 2014. Coverage limits and the deductibles on the policies have stayed relatively constant for the last several years. Claims incurred have not exceeded coverage limits for the last three years.

(15) **Contingent Liabilities**

The City participates in a number of State and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.



## CITY OF KING COVE, ALASKA

### Notes to Basic Financial Statements, continued

#### (16) **Conversion of City Fuel Enterprise Fund to Internal Service Fund**

Effective July 1, 2013, the City converted its City Fuel Fund from an enterprise fund to an internal service fund. The majority of fuel sales were to other departments or funds within the City. The City determined that 85% of the fuel was used by the Electric Enterprise Fund and the remaining 15% was used by the General Government and the Harbor Enterprise Fund. Therefore, beginning fund balance and net position, at the fund level and at the government-wide financial statement levels, have been restated based on the conversion and the internal service fund allocations mentioned above. The net restatement amounts are as follows:

##### Fund Financial Statements

<u>Net Position</u>	<u>Electric Enterprise</u>	<u>Harbor and Port Enterprise</u>	<u>City Fuel Enterprise</u>	<u>Totals</u>
Beginning net position	\$ 5,346,026	15,466,570	546,659	21,359,255
Adjustment from conversion	-	-	(546,659)	( 546,659)
Beginning net position, restated	\$ <u>5,346,026</u>	<u>15,466,570</u>	<u>-</u>	<u>20,812,596</u>

##### Government-wide Financial Statements

<u>Net Position</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Beginning net position	\$ 21,810,229	21,359,255	43,169,484
Adjustment from conversion	<u>81,999</u>	( 81,999)	-
Beginning net position, restated	\$ <u>21,892,228</u>	<u>21,277,256</u>	<u>43,169,484</u>

#### (17) **Subsequent Events**

Subsequent to year end, a local bond proposition was passed by voters to increase the local sales tax an additional 2%. The new rate, a total of 6%, will take effect on January 1, 2015.

In addition, in November 2014, the City has begun the process of applying for a line of credit from a commercial bank.

## CITY OF KING COVE, ALASKA

### Notes to Basic Financial Statements, continued

#### (18) **New Accounting Pronouncements**

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that GASB Statement 68 will result in the biggest reporting change. Actual impacts have not yet been determined:

*GASB 68 - Accounting and Financial Reporting for Pensions* - Effective for year-end June 30, 2015 - This statement changes the reporting and disclosure requirements for governments that participate in pension plans. This statement modifies the participating employer side reporting in connection with the Plan reporting at GASB 67.

*GASB 69 - Government Combinations and Disposals of Government Operations* - Effective for year-end June 30, 2015 - This statement contains certain disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and effects of these transactions.

*GASB 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date* - Effective for year-end June 30, 2015 - This statement is a companion to GASB Statement 68 and clarifies treatment of contributions made by a contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

(This page left blank intentionally)

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF KING COVE, ALASKA**  
**General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2014**

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues:				
Taxes	\$ 1,600,000	1,600,000	1,659,087	59,087
Intergovernmental	786,000	928,152	838,189	(89,963)
Charges for services	84,500	38,100	73,526	35,426
Other	15,000	16,000	14,964	(1,036)
Total revenues	<u>2,485,500</u>	<u>2,582,252</u>	<u>2,585,766</u>	<u>3,514</u>
Expenditures:				
General government	668,200	683,011	662,945	20,066
Public safety	543,845	558,210	572,748	(14,538)
Public works	511,700	489,900	511,115	(21,215)
Community services	310,570	257,550	259,829	(2,279)
Other	138,250	149,500	197,342	(47,842)
Total expenditures	<u>2,172,565</u>	<u>2,138,171</u>	<u>2,203,979</u>	<u>(65,808)</u>
Excess of revenues over expenditures	312,935	444,081	381,787	(62,294)
Other financing uses - transfers out	<u>(358,200)</u>	<u>(331,300)</u>	<u>(331,300)</u>	<u>-</u>
Net change in fund balance	\$ <u>(45,265)</u>	<u>112,781</u>	50,487	<u>(62,294)</u>
Beginning fund balance			<u>1,602,962</u>	
Ending fund balance			\$ <u>1,653,449</u>	

**CITY OF KING COVE, ALASKA**  
 Permanent Fund Special Revenue Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Budget and Actual  
 Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues - investment income	\$ <u>100</u>	<u>100</u>	<u>84</u>	<u>(16)</u>
Excess of revenues over expenditures	100	100	84	(16)
Other financing sources (uses):				
Transfers in	30,000	30,000	30,000	-
Transfers out	<u>-</u>	<u>(54,818)</u>	<u>(54,818)</u>	<u>-</u>
Net other financing sources (uses)	<u>30,000</u>	<u>(24,818)</u>	<u>(24,818)</u>	<u>-</u>
Net change in fund balance	\$ <u><u>30,100</u></u>	<u><u>(24,718)</u></u>	(24,734)	<u><u>(16)</u></u>
Beginning fund balance			<u>962,192</u>	
Ending fund balance		\$ <u><u>937,458</u></u>		

**CITY OF KING COVE, ALASKA**  
Water and Sewer Special Revenue Fund  
Schedule of Revenues, Expenditures and  
Changes in Fund Deficit - Budget and Actual  
Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues - charges for services	\$ <u>360,100</u>	<u>341,500</u>	<u>329,661</u>	<u>(11,839)</u>
Expenditures:				
Current:				
Water	257,750	258,140	257,073	1,067
Sewer	57,550	70,694	68,011	2,683
Debt service:				
Principal	52,080	52,080	33,537	18,543
Interest	<u>59,720</u>	<u>59,720</u>	<u>59,213</u>	<u>507</u>
Total expenditures	<u>427,100</u>	<u>440,634</u>	<u>417,834</u>	<u>22,800</u>
Excess of revenues over (under) expenditures	(67,000)	(99,134)	(88,173)	10,961
Other financing sources - transfers in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net change in deficit	\$ <u><u>(47,000)</u></u>	<u><u>(79,134)</u></u>	(68,173)	<u><u>10,961</u></u>
Beginning deficit			<u>(369,147)</u>	
Ending deficit		\$ <u><u>(437,320)</u></u>		

## **SUPPLEMENTARY INFORMATION**



## CITY OF KING COVE, ALASKA

Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2014

<u>Assets</u>	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		Total Nonmajor Governmental Funds
	Solid Waste Collection	Housing and Community Projects	General Capital Projects	Vehicle and Machinery Replacement	
Cash and investments	\$ 13,031	-	-	133,851	146,882
Accounts receivable	<u>32,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,295</u>
Total assets	\$ <u>45,326</u>	<u>-</u>	<u>-</u>	<u>133,851</u>	<u>179,177</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 8,253	-	22,847	-	31,100
Accrued payroll and related liabilities	4,617	283	-	-	4,900
Advances from other funds	<u>-</u>	<u>84,236</u>	<u>3,846</u>	<u>-</u>	<u>88,082</u>
Total liabilities	<u>12,870</u>	<u>84,519</u>	<u>26,693</u>	<u>-</u>	<u>124,082</u>
Fund balances (deficits):					
Assigned:					
Solid waste collection	32,456	-	-	-	32,456
Vehicle and machinery replacement	-	-	-	133,851	133,851
Unassigned (deficit)	<u>-</u>	<u>(84,519)</u>	<u>(26,693)</u>	<u>-</u>	<u>(111,212)</u>
Total fund balances (deficits)	<u>32,456</u>	<u>(84,519)</u>	<u>(26,693)</u>	<u>133,851</u>	<u>55,095</u>
Total liabilities and fund balances	\$ <u>45,326</u>	<u>-</u>	<u>-</u>	<u>133,851</u>	<u>179,177</u>

**CITY OF KING COVE, ALASKA**

## Nonmajor Governmental Funds

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

Year Ended June 30, 2014

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		Total
	<u>Solid</u>	<u>Housing</u>	<u>General</u>	<u>Vehicle and</u>	<u>Nonmajor</u>
	<u>Waste</u>	<u>and</u>	<u>Capital</u>	<u>Machinery</u>	<u>Govern-</u>
	<u>Collection</u>	<u>Community</u>	<u>Projects</u>	<u>Replace-</u>	<u>mental</u>
		<u>Projects</u>		<u>ment</u>	<u>Funds</u>
Revenues:					
Intergovernmental	\$ 7,410	4,165	-	-	11,575
Charges for services	<u>111,498</u>	<u>25,308</u>	<u>-</u>	<u>-</u>	<u>136,806</u>
Total revenues	<u>118,908</u>	<u>29,473</u>	<u>-</u>	<u>-</u>	<u>148,381</u>
Expenditures:					
Public works	-	-	270,180	98,145	368,325
Community services	-	91,418	-	-	91,418
Water and sewer	-	-	6,597	-	6,597
Solid waste collection	180,225	-	-	-	180,225
Debt service - principal	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,309</u>	<u>19,309</u>
Total expenditures	<u>180,225</u>	<u>91,418</u>	<u>276,777</u>	<u>117,454</u>	<u>665,874</u>
Excess of revenues over (under) expenditures	(61,317)	(61,945)	(276,777)	(117,454)	(517,493)
Other financing sources - transfers in	<u>20,000</u>	<u>104,818</u>	<u>100,000</u>	<u>75,000</u>	<u>299,818</u>
Net change in fund balances	(41,317)	42,873	(176,777)	(42,454)	(217,675)
Beginning fund balances (deficits)	<u>73,773</u>	<u>(127,392)</u>	<u>150,084</u>	<u>176,305</u>	<u>272,770</u>
Ending fund balances (deficits)	\$ <u>32,456</u>	<u>(84,519)</u>	<u>(26,693)</u>	<u>133,851</u>	<u>55,095</u>

**CITY OF KING COVE, ALASKA**

General Fund

Balance Sheet

June 30, 2014

With Comparative Amounts for 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Receivables:		
Accounts	\$ 12,130	9,900
Sales taxes	<u>205,547</u>	<u>305,375</u>
Total receivables	<u>217,677</u>	<u>315,275</u>
Advances to other funds	1,458,854	1,281,835
Investment in Southwest Governments, LLC	<u>118,136</u>	<u>118,136</u>
Total assets	\$ <u><u>1,794,667</u></u>	<u><u>1,715,246</u></u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	81,814	62,498
Accrued payroll and related liabilities	<u>59,404</u>	<u>49,786</u>
Total liabilities	<u>141,218</u>	<u>112,284</u>
Fund balances:		
Nonspendable:		
Advances to other funds	1,458,854	1,281,835
Investment in Southwest Governments, LLC	118,136	118,136
Unassigned	<u>76,459</u>	<u>202,991</u>
Total fund balances	<u>1,653,449</u>	<u>1,602,962</u>
Total liabilities and fund balance	\$ <u><u>1,794,667</u></u>	<u><u>1,715,246</u></u>

## CITY OF KING COVE, ALASKA

## General Fund

## Schedule of Revenues, Expenditures and Changes

## in Fund Balance - Budget and Actual

Year Ended June 30, 2014

With Comparative Amounts for 2013

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues:				
Taxes:				
Sales tax	\$ 1,500,000	1,559,087	59,087	1,562,295
Business impact tax	100,000	100,000	-	100,000
Total taxes	<u>1,600,000</u>	<u>1,659,087</u>	<u>59,087</u>	<u>1,662,295</u>
Intergovernmental:				
Aleutians East Borough -				
2014 Economic Development Grant	95,000	20,000	(75,000)	-
Federal funding passed through local entity:				
IRR Roads	50,000	38,005	(11,995)	71,331
State of Alaska:				
Shared fisheries business tax	456,469	456,469	-	521,585
State PERS relief	98,000	96,426	(1,574)	98,184
State revenue sharing	141,980	141,980	-	201,529
State liquor license	5,000	5,000	-	1,500
Extraterritorial fish tax	41,703	41,703	-	47,386
State of Alaska PCE	40,000	38,606	(1,394)	42,470
Total intergovernmental	<u>928,152</u>	<u>838,189</u>	<u>(89,963)</u>	<u>983,985</u>
Charges for services:				
Public safety revenue	6,100	6,065	(35)	4,150
Co-op and teen center revenue	-	28,344	28,344	24,892
Recreational programs	32,000	39,117	7,117	52,021
Total charges for services	<u>38,100</u>	<u>73,526</u>	<u>35,426</u>	<u>81,063</u>
Other revenues - miscellaneous	<u>16,000</u>	<u>14,964</u>	<u>(1,036)</u>	<u>185,690</u>
Total revenues	<u>2,582,252</u>	<u>2,585,766</u>	<u>3,514</u>	<u>2,913,033</u>

**CITY OF KING COVE, ALASKA**

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Expenditures:				
General government:				
City Council:				
Salaries	\$ 7,200	7,200	-	6,900
Employee benefits	51,000	63,527	(12,527)	65,360
Travel and per diem	2,500	2,332	168	3,767
Dues and fees	1,500	2,951	(1,451)	2,381
Total City Council	<u>62,200</u>	<u>76,010</u>	<u>(13,810)</u>	<u>78,408</u>
Planning:				
Salaries	48,000	41,826	6,174	40,535
Stipends	500	200	300	1,550
Employee benefits	10,230	13,408	(3,178)	13,127
Contract labor	-	4,760	(4,760)	205
Travel and per diem	-	1,825	(1,825)	-
Insurance	1,250	1,361	(111)	1,306
Deferred compensation	1,500	1,200	300	1,200
Total planning	<u>61,480</u>	<u>64,580</u>	<u>(3,100)</u>	<u>57,923</u>
Administration:				
Salaries	122,181	115,361	6,820	122,406
Employee benefits	82,150	63,377	18,773	74,695
Contract labor	-	1,875	(1,875)	-
Travel and per diem	5,000	4,695	305	5,276
Telephone	6,000	7,321	(1,321)	6,626
Postage	4,000	4,560	(560)	3,287
Supplies	8,000	10,985	(2,985)	10,463
Utilities - diesel	4,500	4,402	98	4,461
Utilities - electric	2,500	1,953	547	1,958
Dues and fees	5,000	4,598	402	4,235
Insurance	5,000	5,444	(444)	5,224
Deferred compensation	3,000	3,400	(400)	3,000
Total administration	<u>247,331</u>	<u>227,971</u>	<u>19,360</u>	<u>241,631</u>

## CITY OF KING COVE, ALASKA

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Expenditures, continued:				
General government, continued:				
Anchorage office:				
Salaries	\$ 138,850	128,888	9,962	187,992
Employee benefits	40,800	36,672	4,128	39,449
Contract labor	60,000	52,871	7,129	67,059
Travel and per diem	35,000	35,100	(100)	27,902
Telephone	4,000	5,296	(1,296)	6,286
Postage	250	123	127	184
Supplies	6,000	6,029	(29)	7,535
Rent	15,000	17,157	(2,157)	15,472
Dues and fees	3,500	3,289	211	2,811
Insurance	3,750	4,083	(333)	3,918
Miscellaneous	500	526	(26)	400
Deferred compensation	4,350	4,350	-	4,350
Total Anchorage office	<u>312,000</u>	<u>294,384</u>	<u>17,616</u>	<u>363,358</u>
Total general government	<u>683,011</u>	<u>662,945</u>	<u>20,066</u>	<u>741,320</u>
Public safety:				
Salaries	215,450	224,135	(8,685)	224,312
Employee benefits	134,350	127,244	7,106	126,120
Stipends	10,000	8,839	1,161	6,550
Contract labor	93,150	94,012	(862)	95,945
Travel and per diem	5,500	7,090	(1,590)	2,334
Telephone	9,000	11,919	(2,919)	10,471
Postage	1,750	1,890	(140)	1,016
Supplies	25,000	31,263	(6,263)	26,991
Utilities - diesel	8,000	6,796	1,204	8,295
Utilities - electric	5,500	5,635	(135)	6,456
Dues and fees	500	100	400	1,438
Insurance	25,000	27,219	(2,219)	26,118
Fuel	10,000	11,593	(1,593)	16,956
Miscellaneous	-	-	-	860
Animal control	9,010	9,013	(3)	10,711
Deferred compensation	6,000	6,000	-	6,000
Total public safety	<u>558,210</u>	<u>572,748</u>	<u>(14,538)</u>	<u>570,573</u>

**CITY OF KING COVE, ALASKA**

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Expenditures, continued:				
Public works:				
Salaries	\$ 215,800	223,437	(7,637)	210,700
Employee benefits	123,550	122,873	677	113,148
Contract labor	-	215	(215)	-
Travel and per diem	6,200	6,851	(651)	2,746
Telephone	4,000	5,741	(1,741)	3,330
Supplies	60,000	71,379	(11,379)	90,674
Utilities - electric	26,000	25,891	109	29,747
Insurance	26,250	28,678	(2,428)	27,424
Fuel - gas	6,000	8,563	(2,563)	9,431
Fuel - diesel	20,000	15,385	4,615	31,344
Miscellaneous	-	-	-	860
Deferred compensation	2,100	2,102	(2)	2,102
Total public works	<u>489,900</u>	<u>511,115</u>	<u>(21,215)</u>	<u>521,506</u>
Community services - recreational programs:				
Salaries	96,000	93,031	2,969	99,892
Employee benefits	34,500	36,493	(1,993)	42,624
Telephone	4,500	5,154	(654)	5,121
Supplies	32,000	33,914	(1,914)	34,031
Supplies - school building	7,500	7,539	(39)	11,847
Utilities - diesel	40,000	37,979	2,021	66,416
Utilities - electric	32,000	33,077	(1,077)	34,765
Dues and fees	-	-	-	325
Insurance	8,750	9,526	(776)	9,141
Fuel - gas	2,200	3,066	(866)	1,463
Miscellaneous	-	-	-	2,170
Bank fees	100	50	50	60
Total community services	<u>257,550</u>	<u>259,829</u>	<u>(2,279)</u>	<u>307,855</u>

**CITY OF KING COVE, ALASKA**

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Expenditures, continued:				
Other:				
Audit and accounting assistance	\$ 36,900	36,913	(13)	38,396
Legal	30,000	37,059	(7,059)	12,654
Elections	600	600	-	750
Senior citizen power subsidy	45,000	40,981	4,019	44,134
Bank fees	15,000	15,901	(901)	16,174
Donations	12,000	12,513	(513)	15,427
Aleutia grant expenditures	-	53,375	(53,375)	66,367
Miscellaneous	10,000	-	10,000	17,857
Total other	<u>149,500</u>	<u>197,342</u>	<u>(47,842)</u>	<u>211,759</u>
 Total expenditures	 <u>2,138,171</u>	 <u>2,203,979</u>	 <u>(65,808)</u>	 <u>2,353,013</u>
 Excess of revenues over expenditures	 444,081	 381,787	 (62,294)	 560,020
Other financing uses - transfers to:				
Special Revenue Funds:				
Water and Sewer	(20,000)	(20,000)	-	(20,000)
Housing and Community Projects	(50,000)	(50,000)	-	(125,000)
Permanent Fund	-	-	-	(160,000)
Capital Project Funds:				
General Capital Projects	(100,000)	(100,000)	-	(75,000)
Vehicle and Machinery Replacement	(75,000)	(75,000)	-	(125,000)
Harbor and Port Enterprise Fund	<u>(86,300)</u>	<u>(86,300)</u>	<u>-</u>	<u>(87,500)</u>
Total other financing uses	<u>(331,300)</u>	<u>(331,300)</u>	<u>-</u>	<u>(592,500)</u>
 Net change in fund balance	 \$ <u>112,781</u>	 50,487	 <u>(62,294)</u>	 (32,480)
 Beginning fund balance		<u>1,602,962</u>		<u>1,635,442</u>
Ending fund balance	\$	<u>1,653,449</u>		<u>1,602,962</u>



**CITY OF KING COVE, ALASKA**  
Solid Waste Collection Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Year Ended June 30, 2014  
With Comparative Amounts for 2013

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues:				
Collection fees	\$ 60,000.00	64,769	4,769	62,491
Collection fees - Peter Pan Seafoods	50,000	46,634	(3,366)	48,118
State PERS relief	4,000	7,410	3,410	8,321
Finance charges	<u>100</u>	<u>95</u>	<u>(5)</u>	<u>99</u>
Total revenues	<u>114,100</u>	<u>118,908</u>	<u>4,808</u>	<u>119,029</u>
Expenditures:				
Salaries	70,520	78,413	(7,893)	67,434
Employee benefits	33,680	35,840	(2,160)	42,227
Supplies	5,000	2,858	2,142	7,439
Equipment	52,000	50,953	1,047	-
Insurance	7,500	8,166	(666)	7,836
Fuel - diesel	3,600	3,905	(305)	3,806
Deferred compensation	<u>150</u>	<u>90</u>	<u>60</u>	<u>90</u>
Total expenditures	<u>172,450</u>	<u>180,225</u>	<u>(7,775)</u>	<u>128,832</u>
Excess of revenues over (under) expenditures	(58,350)	(61,317)	(2,967)	(9,803)
Other financing sources - transfers from				
Harbor and Port Enterprise Fund	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>10,000</u>
Net change in fund balance	<u>\$ (38,350.00)</u>	(41,317)	<u>(2,967)</u>	197
Beginning fund balance		<u>73,773</u>		<u>73,576</u>
Ending fund balance	\$	<u>\$ 32,456.00</u>		<u>73,773</u>

**CITY OF KING COVE, ALASKA**

Housing and Community Projects Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Year Ended June 30, 2014  
With Comparative Amounts for 2013

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues:				
Housing rental	\$ 18,000	18,000	-	20,417
Gravel sales	2,200	-	(2,200)	2,158
Space rental	-	2,500	2,500	-
Equipment rental	-	-	-	23,131
State PERS relief	3,600	4,165	565	3,622
Other	5,000	4,808	(192)	17,830
Total revenues	<u>28,800</u>	<u>29,473</u>	<u>673</u>	<u>67,158</u>
Expenditures - community services:				
Salaries	37,200	29,015	8,185	28,521
Employee benefits	23,780	18,175	5,605	18,380
Contract labor	-	-	-	18,570
Supplies	25,000	20,976	4,024	142,523
Utilities - heat	12,000	10,521	1,479	16,192
Utilities - electric	12,000	11,370	630	14,709
Insurance	1,250	1,361	(111)	1,306
Total expenditures	<u>111,230</u>	<u>91,418</u>	<u>19,812</u>	<u>240,201</u>
Excess of revenues over (under) expenditure	(82,430)	(61,945)	20,485	(173,043)
Other financing sources - transfers from:				
General Fund	50,000	50,000	-	125,000
Permanent Fund	54,818	54,818	-	50,000
Total other financing sources	<u>104,818</u>	<u>104,818</u>	<u>-</u>	<u>175,000</u>
Net change in deficit	<u>\$ 22,388</u>	42,873	<u>20,485</u>	1,957
Beginning deficit		<u>(127,392)</u>		<u>(129,349)</u>
Ending deficit		<u>\$ (84,519)</u>		<u>(127,392)</u>

**CITY OF KING COVE, ALASKA**  
 Permanent Fund Special Revenue Fund  
 Schedule of Revenues, Expenditures and Changes in  
 Fund Balance - Budget and Actual  
 Year Ended June 30, 2014  
 With Comparative Amounts for 2013

	2014			2013
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues - investment income	\$ 100	84	(16)	89
Excess of revenues over expenditures	100	84	(16)	89
Other financing sources (uses):				
Transfers from:				
General Fund	-	-	-	160,000
Electric Enterprise Fund	30,000	30,000	-	60,000
Transfers to Housing and Community Projects Special Revenue Fund	(54,818)	(54,818)	-	(50,000)
Net other financing sources (uses)	(24,818)	(24,818)	-	170,000
Net change in fund balance	\$ (24,718)	(24,734)	(16)	170,089
Beginning fund balance		962,192		792,103
Ending fund balance	\$	\$ 937,458		962,192

**CITY OF KING COVE, ALASKA**  
Water and Sewer Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in  
Deficit - Budget and Actual  
Year Ended June 30, 2014  
With Comparative Amounts for 2013

	2014			2013
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues:				
Water	\$ 63,000.00	62,511	(489)	62,973
Water - Peter Pan Seafoods	185,000	176,821	(8,179)	175,372
Sewer	38,000	35,562	(2,438)	37,421
Sewer - Peter Pan Seafoods	24,000	24,480	480	24,000
State PERS relief	6,400	6,078	(322)	6,416
State energy assistance grant	25,000	24,129	(871)	21,879
Finance charges	100	80	(20)	100
Total revenues	<u>341,500</u>	<u>329,661</u>	<u>(11,839)</u>	<u>328,161</u>
Expenditures:				
Water:				
Salaries	41,290	41,615	(325)	26,204
Employee benefits	14,450	13,101	1,349	15,046
Travel and per diem	3,000	3,018	(18)	1,423
Telephone	3,000	3,670	(670)	3,502
Supplies	35,000	33,378	1,622	13,754
Utilities - electric	135,000	132,527	2,473	135,969
Utilities - heat	9,500	10,332	(832)	7,596
Rent	2,800	5,543	(2,743)	2,654
Dues and fees	600	1,350	(750)	474
Insurance	3,750	4,083	(333)	3,918
Fuel - gas	4,500	5,566	(1,066)	5,230
Test fees	4,500	2,485	2,015	4,559
Miscellaneous	-	-	-	860
Deferred compensation	750	405	345	404
Total water	<u>\$ 258,140.00</u>	<u>257,073</u>	<u>1,067</u>	<u>221,593</u>

**CITY OF KING COVE, ALASKA**  
Water and Sewer Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in  
Deficit - Budget and Actual, continued

	2014			2013
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Expenditures:				
Sewer:				
Salaries	\$ 32,000	28,220	3,780	31,327
Employee benefits	19,150	15,743	3,407	17,513
Supplies	6,000	10,690	(4,690)	8,021
Utilities - electric	6,000	5,921	79	5,500
Fuel - diesel	1,000	988	12	925
Equipment	6,044	6,044	-	-
Deferred compensation	500	405	95	404
Total sewer	<u>70,694</u>	<u>68,011</u>	<u>2,683</u>	<u>63,690</u>
Debt service:				
Principal	52,080	33,537	18,543	40,464
Interest	<u>59,720</u>	<u>59,213</u>	<u>507</u>	<u>52,511</u>
Total debt service	<u>111,800</u>	<u>92,750</u>	<u>19,050</u>	<u>92,975</u>
Total expenditures	<u>440,634</u>	<u>417,834</u>	<u>22,800</u>	<u>378,258</u>
Excess of revenues over (under) expenditures	(99,134)	(88,173)	10,961	(50,097)
Other financing sources - transfers from General Fund	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net change in deficit	<u>\$ (79,134)</u>	<u>(68,173)</u>	<u>10,961</u>	<u>(30,097)</u>
Beginning deficit		<u>(369,147)</u>		<u>(339,050)</u>
Ending deficit	\$	<u><u>(437,320)</u></u>		<u><u>(369,147)</u></u>

**CITY OF KING COVE, ALASKA**  
General Capital Projects Fund  
Statement of Revenues, Expenditures and Changes  
in Fund Balance (Deficit)  
Year Ended June 30, 2014  
With Comparative Amounts for 2013

	<u>2014</u>	<u>2013</u>
Revenues:		
Intergovernmental	\$ -	8,130
Other	<u>-</u>	<u>112,398</u>
Total revenues	<u>-</u>	<u>120,528</u>
Expenditures:		
Planning and engineering	-	395
Harbor upgrade	4,301	4,338
Izembeck access project	193,364	240,389
Other	10,564	17,805
Water rate study	5,382	4,849
Surveying and platting	12,853	-
Landfill upgrade	1,215	73,659
Harbor warehouse upgrades	<u>49,098</u>	<u>3,050</u>
Total expenditures	<u>276,777</u>	<u>344,485</u>
Excess of revenues over (under) expenditures	(276,777)	(223,957)
Other financing sources -		
Transfers from General Fund	<u>100,000</u>	<u>75,000</u>
Net change in fund balance	(176,777)	(148,957)
Beginning fund balance	<u>150,084</u>	<u>299,041</u>
Ending fund balance (deficit)	<u>\$ (26,693)</u>	<u>150,084</u>

**CITY OF KING COVE, ALASKA**  
**Vehicle and Machinery Replacement Capital Project Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance**  
**Year Ended June 30, 2014**  
**With Comparative Amounts for 2013**

	<u>2014</u>	<u>2013</u>
Expenditures:		
Equipment	\$ 98,145	145,989
Debt service - principal	<u>19,309</u>	<u>-</u>
Total expenditures	<u>117,454</u>	<u>145,989</u>
Excess of revenues over (under) expenditures	(117,454)	145,989
Other financing sources:		
Proceeds from issuance of debt	-	46,342
Transfers from - General Fund	<u>75,000</u>	<u>125,000</u>
Total other financing sources	<u>75,000</u>	<u>171,342</u>
Net change in fund balance	(42,454)	317,331
Beginning fund balance	<u>176,305</u>	<u>150,952</u>
Ending fund balance	<u><u>\$ 133,851</u></u>	<u><u>176,305</u></u>

## CITY OF KING COVE, ALASKA

Electric Enterprise Fund  
Statement of Net Position  
June 30, 2014

With Comparative Amounts for 2013

	<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current assets:			
Receivables:			
Accounts		\$ 48,632.00	101,392
Grants		26,085	-
Allowance for doubtful accounts		(14,000)	(14,000)
Total current assets		<u>60,717</u>	<u>87,392</u>
Restricted cash:			
Bond reserves		86,333	-
Unspent bond proceeds		<u>271,772</u>	<u>-</u>
Total restricted cash		<u>358,105</u>	<u>-</u>
Property, plant and equipment:			
Construction in progress - Waterfall Creek hydroelectric project		577,272	-
Land		48,372	48,372
Infrastructure		3,955,382	3,955,382
Improvements		723,045	723,045
Buildings		2,203,494	2,203,494
Equipment		<u>4,907,717</u>	<u>4,907,717</u>
Total property, plant and equipment		12,415,282	11,838,010
Less accumulated depreciation		<u>(5,565,893)</u>	<u>(5,256,374)</u>
Net property, plant and equipment		<u>6,849,389</u>	<u>6,581,636</u>
Total assets		<u>\$ 7,268,211.00</u>	<u>6,669,028</u>
<u>Liabilities and Net Position</u>			
Liabilities:			
Current liabilities:			
Accounts payable		\$ 60,704.00	11,434
Accrued payroll and related liabilities		9,819	9,087
Accrued interest payable		1,752	3,271
Unearned revenue		4,043	3,570
Accrued leave		5,348	6,666
Current portion of revenue bonds		<u>110,000</u>	<u>100,765</u>
Total current liabilities		191,666	134,793
Long-term debt, net of current portion:			
Advance from other funds		425,985	454,085
Revenue bonds		1,125,000	734,124
Unamortized bond premium		<u>117,739</u>	<u>-</u>
Total liabilities		<u>1,860,390</u>	<u>1,323,002</u>
Net position:			
Net investment in capital assets		5,768,422	5,746,747
Deficit		<u>(360,601)</u>	<u>(400,721)</u>
Total net position		<u>5,407,821</u>	<u>5,346,026</u>
Total liabilities and net position		<u>\$ 7,268,211.00</u>	<u>6,669,028</u>



## CITY OF KING COVE, ALASKA

Electric Enterprise Fund  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2014  
With Comparative Amounts for 2013

	<u>2014</u>	<u>2013</u>
Operating revenues - charges for services:		
Electric revenue	\$ 640,857	679,682
City owned electric	326,917	353,698
Harbor electric	125,430	136,640
Finance charges	480	398
Other	<u>144,924</u>	<u>138,064</u>
Total operating revenues	<u>1,238,608</u>	<u>1,308,482</u>
Operating expenses:		
Salaries	160,139	163,180
Employee benefits	79,351	82,726
Travel and training	-	1,023
Telephone	10,579	9,506
Supplies	71,166	71,087
Dues and fees	78	39
Insurance	17,692	16,977
Power plant electric	32,501	33,174
Fuel - power plant	573,017	684,159
Fuel - vehicles	10,165	12,497
Bad debt expense	-	2,362
Miscellaneous expense	-	868
Depreciation	<u>309,519</u>	<u>304,454</u>
Total operating expenses	<u>1,264,207</u>	<u>1,382,052</u>
Loss from operations	(25,599)	(73,570)
Nonoperating revenues (expenses):		
Interest expense	(49,202)	(47,554)
Senior power subsidy	(40,981)	(44,134)
State PERS relief	<u>16,438</u>	<u>16,213</u>
Net nonoperating revenues (expenses)	<u>(73,745)</u>	<u>(75,475)</u>
Loss before contributions and transfers	(99,344)	(149,045)
Capital contributions	191,139	-
Transfers to Permanent Fund	<u>(30,000)</u>	<u>(60,000)</u>
Change in net position	61,795	(209,045)
Beginning net position	<u>5,346,026</u>	<u>5,555,071</u>
Ending net position	<u>\$ 5,407,821</u>	<u>5,346,026</u>

**CITY OF KING COVE, ALASKA**  
Electric Enterprise Fund  
Statement of Cash Flows  
Year Ended June 30, 2014  
With Comparative Amounts for 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,291,841	1,425,113
Payments to suppliers	(665,928)	(837,762)
Payments to employees	<u>(223,638)</u>	<u>(229,103)</u>
Net cash flows from operating activities	<u>402,275</u>	<u>358,248</u>
Cash flows from noncapital financing activities:		
Senior power subsidy	(40,981)	(44,134)
Decrease in advance from other funds	(28,100)	(107,957)
Transfers to other funds	<u>(30,000)</u>	<u>(60,000)</u>
Net cash flows from noncapital financing activities	<u>(99,081)</u>	<u>(212,091)</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(577,272)	-
Capital contributions received	165,054	-
Proceeds from issuance of debt	1,352,739	-
Principal payments on long-term debt	(834,889)	(96,262)
Interest payments on long-term debt	<u>(50,721)</u>	<u>(49,895)</u>
Net cash flows from capital and related financing activities	<u>54,911</u>	<u>(146,157)</u>
Net increase in cash and investments	358,105	-
Beginning cash and investments	<u>-</u>	<u>-</u>
Ending cash and investments	<u>\$ 358,105</u>	<u>-</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	\$ (25,599)	(73,570)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	309,519	304,454
Noncash expense - PERS relief	16,438	16,213
Decrease in assets - accounts receivable (net)	52,760	115,716
Increase (decrease) in liabilities:		
Accounts payable	49,270	(6,070)
Accrued payroll and related liabilities	732	463
Unearned revenue	473	915
Accrued leave	<u>(1,318)</u>	<u>127</u>
Net cash flows from operating activities	<u>\$ 402,275</u>	<u>358,248</u>

## CITY OF KING COVE, ALASKA

## Electric Enterprise Fund

## Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2014

With Comparative Amounts for 2013

	Electric <u>Operating</u>	Waterfall Creek <u>Capital</u>	Eliminating <u>Entries</u>	Total Consolidated <u>Electric</u>
Operating revenues - charges for services:	\$ 1,238,608	-	-	1,238,608
Operating expenses:				
Salaries and benefits	239,490	-	-	239,490
Telephone	10,579	-	-	10,579
Supplies	71,166	-	-	71,166
Dues and fees	78	-	-	78
Insurance	17,692	-	-	17,692
Power plant electric	32,501	-	-	32,501
Fuel - power plant	583,182	-	-	583,182
Depreciation	309,519	-	-	309,519
Capital outlay	-	545,920	(545,920)	-
Total operating expenses	1,264,207	545,920	(545,920)	1,264,207
Loss from operations	(25,599)	(545,920)	545,920	(25,599)
Nonoperating revenues (expenses):				
Interest expense	(49,202)	-	-	(49,202)
Senior power subsidy	(40,981)	-	-	(40,981)
State PERS relief	16,438	-	-	16,438
Net nonoperating revenues (expenses)	(73,745)	-	-	(73,745)
Loss before contributions and transfers	(99,344)	(545,920)	545,920	(99,344)
Capital grants and contributions	-	191,139	-	191,139
Transfer from (to) Waterfall Creek Project	(100,000)	100,000	-	-
Transfers to Permanent Fund	(30,000)	-	-	(30,000)
Capitalize Construction work in progress	-	545,920	(545,920)	-
Change in net position	(229,344)	291,139	-	61,795
Beginning net position	5,346,026	-	-	5,346,026
Ending net position	\$ 5,116,682	291,139	-	5,407,821

## CITY OF KING COVE, ALASKA

Electric Enterprise Fund - Waterfall Creek Capital Project  
 Schedule of Funding Sources and Project Expenditures  
 Year Ended June 30, 2014

	<u>2012</u>	<u>2013</u>	<u>2014</u>	Cumulative <u>Total</u>
Funding sources:				
Electric fund transfers	\$ 28,876	15,687	100,000	144,563
Electric revenue bonds	-	-	526,553	526,553
Capital grant	-	-	191,139	191,139
Other	-	15,665	-	15,665
Total funding sources	<u>28,876</u>	<u>31,352</u>	<u>817,692</u>	<u>1,308,482</u>
Project expenditures:				
Noncapital expenditures	28,876	-	-	28,876
Capital expenditures	<u>-</u>	<u>31,352</u>	<u>545,920</u>	<u>577,272</u>
Total expenditures	<u>28,876</u>	<u>31,352</u>	<u>545,920</u>	<u>1,308,482</u>
Excess funds available	<u>\$ -</u>	<u>-</u>	<u>271,772</u>	<u>271,772</u>
Restricted cash - unspent bond proceeds			\$ \$	<u>271,772</u>

## CITY OF KING COVE, ALASKA

## Harbor and Port Enterprise Fund

## Statement of Net Position

June 30, 2014

	<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current assets:			
Receivables:			
Accounts		\$ 106,328	123,306
Allowance for doubtful accounts		(20,400)	(20,400)
Total current assets		<u>85,928</u>	<u>102,906</u>
Restricted cash - bond reserves		<u>108,484</u>	<u>108,475</u>
Property, plant and equipment:			
Construction in progress - harbor bulkhead		35,453	15,173
Infrastructure		21,720,359	21,720,359
Buildings		355,860	355,860
Equipment		<u>907,482</u>	<u>907,482</u>
Total property, plant and equipment		23,019,154	22,998,874
Less accumulated depreciation		<u>(6,661,620)</u>	<u>(6,178,249)</u>
Net property, plant and equipment		<u>16,357,534</u>	<u>16,820,625</u>
Total assets		<u>\$ 16,551,946</u>	<u>17,032,006</u>
	<u>Liabilities and Net Position</u>		
Current liabilities:			
Accounts payable		8,584	3,542
Accrued payroll and related liabilities		9,045	9,842
Accrued interest payable		17,186	17,661
Accrued leave		9,298	7,938
Current portion of revenue bonds		<u>50,000</u>	<u>50,000</u>
Total current liabilities		94,113	88,983
Long-term debt, net of current portion:			
Advance from other funds		410,261	356,025
Revenue bonds		1,050,000	1,100,000
Unamortized bond premium		<u>19,293</u>	<u>20,428</u>
Total liabilities		<u>1,573,667</u>	<u>1,565,436</u>
Net position:			
Net investment in capital assets		15,238,241	15,650,197
Deficit		<u>(259,962)</u>	<u>(183,627)</u>
Total net position		<u>14,978,279</u>	<u>15,466,570</u>
Total liabilities and net position		<u>\$ 16,551,946</u>	<u>17,032,006</u>

**CITY OF KING COVE, ALASKA**

## Harbor and Port Enterprise Fund

## Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2014

(With Comparative Amounts for 2013)

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Moorage	\$ 149,975	170,880
Pot storage	7,993	3,688
Haulout	45,636	57,574
Wharfage	57,713	55,207
Harbor electric	3,879	4,226
State ferry	1,100	11,000
Space rent	8,298	26,078
Lockers	22,097	22,810
Skiff storage	2,302	2,888
Warehouse loft usage	1,768	776
Forklift	33,660	30,650
Other	2,004	2,187
Harbor fuel inbound	2,544	1,392
Finance charges	4,421	3,800
Total revenues	<u>343,390</u>	<u>393,156</u>
Operating expenses:		
Harbor:		
Salaries	154,606	176,179
Employee benefits	84,002	87,152
Travel and per diem	1,371	3,141
Telephone	3,269	3,229
Supplies	47,522	53,454
Utilities - heat	8,905	9,338
Utilities - electric	14,303	25,492
Dues and fees	1,078	2,220
Advertising	378	-
Insurance	23,136	36,728
Fuel - gas	2,750	5,134
Fuel - diesel	5,558	6,005
Depreciation	483,371	483,372
Total harbor	<u>\$ 830,249</u>	<u>891,444</u>

**CITY OF KING COVE, ALASKA**  
Harbor and Port Enterprise Fund  
Statement of Revenues, Expenses and Changes in  
Net Position, continued

Operating expenses, continued:	<u>2014</u>	<u>2013</u>
Port:		
Salaries	\$ 28,106	14,573
Employee benefits	16,382	7,760
Insurance	<u>5,444</u>	<u>5,224</u>
Total port	<u>49,932</u>	<u>27,557</u>
 Total operating expenses	 <u>880,181</u>	 <u>919,001</u>
 Loss from operations	 (536,791)	 (525,845)
Nonoperating revenues (expenses):		
Interest expense	(52,944)	(60,229)
Sales tax	-	2,695
Interest rate subsidy	14,185	18,266
State PERS relief	<u>20,959</u>	<u>18,703</u>
Net nonoperating revenues (expenses)	<u>(17,800)</u>	<u>(20,565)</u>
 Loss before transfers	 (554,591)	 (546,410)
Transfers from (to) other funds:		
General Fund	86,300	87,500
Solid Waste Collection Special Revenue Fund	<u>(20,000)</u>	<u>(10,000)</u>
 Change in net position	 (488,291)	 (468,910)
 Beginning net position	 <u>15,466,570</u>	 <u>15,935,480</u>
 Ending net position	 <u>\$ 14,978,279</u>	 <u>15,466,570</u>

**CITY OF KING COVE, ALASKA**  
Harbor and Port Enterprise Fund  
Statement of Cash Flows  
Year Ended June 30, 2014  
(With Comparative Amounts for 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Receipts from customers	\$ 360,368	391,526
Payments to suppliers	(108,672)	(150,358)
Payments to employees	(261,574)	(264,108)
Net cash flows from operating activities	<u>(9,878)</u>	<u>(22,940)</u>
Cash flows from noncapital financing activities:		
Increase in advance from other funds	54,236	35,061
Interest rate subsidy	14,185	18,266
Transfers to other funds	(20,000)	(10,000)
Net cash flows from noncapital financing activities	<u>48,421</u>	<u>43,327</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(20,280)	(2,040)
Principal payments on long-term debt	(50,000)	(50,000)
Interest payments on long-term debt	(54,554)	(55,805)
Transfers from other funds	86,300	87,500
Net cash flows from capital and related financing activities	<u>(38,534)</u>	<u>(20,345)</u>
Net increase in cash and investments	9	42
Beginning cash and investments	<u>108,475</u>	<u>108,433</u>
Ending cash and investments	<u>\$ 108,484</u>	<u>108,475</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	\$ (536,791)	(525,845)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	483,371	483,372
Noncash expense - PERS relief	20,959	18,703
Sales tax revenue	-	2,695
(Increase) decrease in assets - accounts receivable (net)	16,978	(4,325)
Increase (decrease) in liabilities:		
Accounts payable	5,042	(393)
Accrued payroll and related liabilities	(797)	(623)
Accrued leave	1,360	3,476
Net cash flows from operating activities	<u>\$ (9,878)</u>	<u>(22,940)</u>



**CITY OF KING COVE, ALASKA**

## City Fuel Internal Service Fund

## Statement of Net Position

June 30, 2014

With Comparative Amounts for 2013

	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current assets - fuel inventory	\$ <u>340,937.00</u>	<u>116,388</u>
Property, plant and equipment - fuel tanks	871,489	871,489
Less accumulated depreciation	<u>(261,444)</u>	<u>(217,870)</u>
Net property, plant and equipment	<u>610,045</u>	<u>653,619</u>
 Total assets	 <u>\$ 950,982.00</u>	 <u>770,007</u>
 <u>Liabilities and Net Position</u>		
Current liabilities:		
Accounts payable	\$ -	107
Accrued payroll and related liabilities	<u>255</u>	<u>1,110</u>
Total current liabilities	255	1,217
 Noncurrent liabilities - advance from other funds	<u>420,673</u>	<u>222,131</u>
Total liabilities	<u>420,928</u>	<u>223,348</u>
 Net position:		
Net investment in capital assets	610,045	653,619
Unrestricted (deficit)	<u>(79,991)</u>	<u>(106,960)</u>
Total net position	<u>530,054</u>	<u>546,659</u>
 Total liabilities and net position	 <u>\$ 950,982.00</u>	 <u>770,007</u>

**CITY OF KING COVE, ALASKA**  
City Fuel Internal Service Fund  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2014  
With Comparative Amounts for 2013

	<u>2014</u>	<u>2013</u>
Operating revenues - fuel sales	\$ 751,827	918,029
Operating expenses:		
Salaries and benefits	28,005	36,529
Supplies	600	4,240
Fuel	698,608	965,030
Depreciation	43,574	43,574
Total operating expenses	<u>770,787</u>	<u>1,049,373</u>
Loss from operations	(18,960)	(131,344)
Nonoperating revenues - State PERS relief	<u>2,355</u>	<u>2,882</u>
Change in net position	(16,605)	(128,462)
Beginning net position	<u>546,659</u>	<u>675,121</u>
Ending net position	<u>\$ 530,054</u>	<u>546,659</u>

**CITY OF KING COVE, ALASKA**  
City Fuel Internal Service Fund  
Statement of Cash Flows  
Year Ended June 30, 2014  
With Comparative Amounts for 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Receipts from customers	751,827	918,029
Payments to suppliers	(923,864)	(677,070)
Payments to employees	<u>(26,505)</u>	<u>(34,926)</u>
Net cash flows from operating activities	<u>(198,542)</u>	<u>206,033</u>
Cash flows from noncapital financing activities - increase (decrease) in advance from other funds	<u>198,542</u>	<u>(206,033)</u>
Net increase in cash and investments	-	-
Beginning cash and investments	<u>-</u>	<u>-</u>
Ending cash and investments	<u>\$ -</u>	<u>-</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	\$ (18,960)	(131,344)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	43,574	43,574
Noncash expense - PERS relief	2,355	2,882
(Increase) decrease in assets - fuel inventory	(224,549)	292,805
Decrease in liabilities:		
Accounts payable	(107)	(605)
Accrued payroll and related liabilities	<u>(855)</u>	<u>(1,279)</u>
Net cash flows from operating activities	<u>\$ (198,542)</u>	<u>206,033</u>